

CITY OF GOLD BAR
Snohomish County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. City Officials Should Not Allow Funds To Have A Deficit Net Cash And Investment Balance

Our audit of ending cash and investment balance revealed that city officials allowed the Water Capital Improvement Fund to have a deficit net cash and investment balance at December 31, 1994, in the amount of \$93,653.

The operation of this fund with a deficit cash balance essentially constitutes a loan to this fund from other funds of the city without payment of interest.

RCW 43.09.210 states in part:

. . . no department, public improvement, undertaking, institution, or public service industry shall benefit in any financial manner whatever by an appropriation or fund made for the support of another.

It appears that the deficit cash balance was allowed to occur as a result of inadequate monitoring of cash flow requirements.

We recommend that city officials institute policies and procedures to monitor individual fund cash requirements. We further recommend, should it become apparent that a cash deficit may occur within a fund, the city provide a temporary interfund loan.

2. The City Should Continue To Implement Improved Control Over Cash Handling And Monitor Those Controls To Assure They Are In Place

During the audit, we noticed lack of control over the handling of cash receipts in city hall. Some improvement in controls was made in 1994 but the recommendations were not fully implemented until 1995.

- a. There was a lack of segregation of duties between those individuals responsible for the custody of cash receipts and those responsible for related record keeping.
- b. We found that the serial numbering system on the preprinted cash receipts forms was not being used as a control over cash.
- c. The cash/check composition of the daily bank deposit was not being monitored by personnel independent of the person preparing the deposit.
- d. There were no written policies covering cash handling procedures. Such policies should give guidance to accounting and cashiering personnel. In addition, written policies provide continuity when the city experiences turnover in the personnel involved in these functions.

The city is responsible to establish a system which provides safeguards of the city's assets. Without a strong system of accounting and administrative controls over cash receipts, city officials have no assurance that errors or irregularities will be detected in a timely manner.

Again we recommend that city officials maintain a stronger system of accounting and administrative controls over cash receipting functions. We specifically recommend:

- a. Cash handling and receipting duties should be segregated from related record keeping. When staffing constraints prohibit the necessary segregation, oversight must be provided by management or elected personnel.
- b. A system must be implemented to account for all serialized manual cash receipts now in use. A log should be maintained to assign responsibility for cash receipt books. All voided receipts should be accounted for.
- c. The cash/check composition of the daily bank deposit should be reconciled to information on the individual receipts processed during the day.
- d. Formal written procedures should be established over all cash receipting activities.

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1. City Officials Should Adopt A Drug Free Workplace Policy

The City of Gold Bar has not adopted a formal policy guaranteeing a drug free work environment for its employees. Federal regulations require that such a policy be adopted by all recipients of federal funds. These same regulations (Public Law 100-690 Title V, Subtitle D, 41 USC 701 et seq.) state that the city can make such a guarantee by, among other things:

- a. Publishing a policy statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the workplace and specifying the actions that will be taken against employees for violation of such prohibition.
- b. Establishing an ongoing drug free awareness program for all employees.
- c. Informing all employees of the policy statement and the consequences of violating the policy.
- d. Notifying the grantor agency of any violations of the policy.

City officials were unaware of the need for a formal policy for its employees.

We recommend that city officials adopt a policy ensuring a drug free workplace for employees. Such a policy should be drafted to cover all of the requirements of the Drug-Free Workplace Act of 1988 as cited above.